



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
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FISCAL YEAR 2023 FIRST QUARTER FINANCIAL REVIEW

FIRST QUARTER RESULTS

Fiscal Year 2023's (FY23) first quarter saw a year-over-year increase of \$756 million in base general funds revenues due to continued strong receipts from individual and corporate income taxes, particularly corporate, as well as sales taxes. First quarter expenditures increased by \$152 million compared to FY22 first quarter expenditures.

Detailed first quarter and year-to-date information is presented on the following pages.

FIRST QUARTER REPORT HIGHLIGHT: SALES TAXES

The sales taxes collected by the State of Illinois consist of two pairs of taxes, on goods and services, respectively: the retailers' occupation tax and the use tax, as well as the service occupation tax and the service use tax. The occupation taxes are imposed on the gross receipts of retailers and service providers, while the use taxes are imposed on those who use the tangible property associated with the purchases of goods and services, meaning that these taxes are assessed on purchases made outside Illinois for purchases within Illinois. Importantly, the service occupation tax and the service use tax are assessed only on tangible goods transferred incident to a sale of service, such as the lumber used by a carpenter paid to complete a project.

The taxes combine to a 6.25% rate, with 1.25% distributed to local governments through the Local Government Tax Fund and the County and Mass Transit Fund. This 6.25% tax is assessed across most goods, with partial or complete exemptions for goods such as groceries, medicines, and ethanol-based fuel. Because sales taxes are assessed on the nominal (not inflation-adjusted) prices of goods, a constant rate of consumption would result in sales taxes collected increasing according to the rate of inflation. From Q1 of FY22 to Q1 of FY23, net sales taxes to all funds increased by 7.35%, similar to the inflation from the end of September 2021 to the end of September 2022 of 7.76%, even after foregoing the 1% sales tax on groceries beginning July 1, 2022. Net sales taxes to General Funds increased by 5.07% in the same time period.

ILLINOIS ECONOMIC INDICATORS

The state's economic conditions have rather closely tracked those of the United States economy in the time during and after the COVID-19 pandemic. The state continues to show strong signs of growth in some areas such as unemployment and consumer spending, although other measures are down, and inflation has taken hold as a pressing issue. It is possible that the US economy will enter a recession during this fiscal year; IHS Markit's baseline forecast includes a mild recession from the second quarter through the fourth quarters of fiscal year 2023.

Prices in the Chicago-Naperville-Elgin area, as measured by the Consumer Price Index for all Urban Consumers (CPI-U), increased only 0.21% in September according to the U.S. Bureau of Labor Statistics, but increased by 8.7% since September 2021. CPI-U is a measure that examines the weighted average of a basket of consumer goods and services for urban consumers. Across the Midwest, prices were up 0.24% month-over-month and 8.1% over the year, while nationwide prices increased 0.39% month-over-month and 8.2% year-over-year.

GENERAL FUNDS OVERVIEW

GENERAL FUNDS CASH FLOW First Quarter and Year-to-Date Review

(\$ in millions)

	First Quarter		Year-to-date	
	FY22 Actual	FY23 Actual	FY22 Actual	FY23 Actual
Beginning Backlog at Comptroller	\$ (2,204)	\$ (1,048)	\$ (2,204)	\$ (1,048)
Beginning Cash Balance	\$ 975	\$ 2,063	\$ 975	\$ 2,063
Revenues				
Individual Income Tax	\$ 4,678	\$ 5,025	\$ 4,678	\$ 5,025
Corporate Income Tax	1,073	1,274	1,073	1,274
Sales Tax	2,627	2,760	2,627	2,760
Other Sources/Transfers In	1,482	1,576	1,482	1,576
State Source Revenues	\$ 9,859	\$ 10,635	\$ 9,859	\$ 10,634
Federal Sources	1,395	879	1,395	879
Short Term Borrowing/Municipal Liquidity Facility	0	0	0	0
Investment Borrowing	0	0	0	0
ARPA Reimbursement for Government Services	0	764	0	764
Total Revenues	\$ 11,255	\$ 12,277	\$ 11,255	\$ 12,277
Expenditures				
Current Year Vouchers	\$ 9,189	\$ 9,500	\$ 9,189	\$ 9,500
Prior Year Vouchers	1,904	1,384	1,904	1,384
Subtotal, Vouchers Presented	\$ 11,093	\$ 10,884	\$ 11,093	\$ 10,884
Posted Transfers Out	269	221	269	221
Transfer to GO Bond Debt Service Fund	650	652	650	652
Transfer to Repay Interfund Borrowing	2	0	2	0
Transfers to fund tax relief programs	0	325	0	325
Transfers to cash-fund capital projects	0	0	0	0
Investment Borrowing Repayments	0	0	0	0
Short Term Borrowing Repayments	0	0	0	0
Prior Year Adjustments	5	(5)	5	(5)
Total Expenditures	\$ 12,018	\$ 12,078	\$ 12,018	\$ 12,078
End of Quarter Cash Balance	\$ 937	\$ 2,128	\$ 937	\$ 2,128
End of Quarter Backlog at Comptroller	\$ (2,928)	\$ (912)	\$ (2,928)	\$ (912)

Source: Illinois Office of the Comptroller

Note: Backlog figures do not include bills held at agencies. For information on bills held at agencies please refer to the Backlog Report at budget.illinois.gov or the Office of the Comptroller's Debt Transparency Report.

GENERAL FUNDS CASH FLOW Comparison: Projected versus Actual

(\$ in millions)

	First	
	Projected	Actual
Cash Balance, Beginning	\$ 2,063	\$ 2,063
Receipts	\$ 10,891	\$ 12,277
IIT	4,773	5,025
CIT	970	1,274
Sales	2,646	2,760
Other Sources	650	779
Transfers In	782	797
Interfund Borrowing	-	-
Investment Borrowing	-	-
Federal Sources	1,069	879
ARPA Reimbursement	-	764
Certificate Proceeds	-	-
Cash Expenditures	(11,434)	(13,253)
Short-Term Borrowing Repayment	-	-
Cash Balance - Budget Stabilization Fund	\$ 858	\$ 1,041
Cash Balance - All other General Funds	\$ 1,142	\$ 1,087

GENERAL FUNDS REVENUES SUMMARY

GENERAL FUNDS REVENUES								
First Quarter and Year-to-Date Review								
(\$ in millions)								
	First Quarter		Change: FY22 Actual to FY23 Actual		Year-to-Date		Change: FY22 Actual to FY23 Actual	
	FY22 Actual	FY23 Actual	Dollar Change	Percent Change	FY22 Actual	FY23 Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 5,488	\$ 5,901	\$ 414	7.5%	\$ 5,488	\$ 5,901	\$ 414	7.5%
Income Tax Refund Fund	(508)	(546)	(38)	7.5%	(508)	(546)	(38)	7.5%
Local Government Distributive Fund Deposit	(302)	(330)	(28)	9.3%	(302)	(330)	(28)	9.3%
Net Individual Income Tax	\$ 4,678	\$ 5,025	\$ 347	7.4%	4,678	5,025	\$ 347	7.4%
Gross Corporate Income	\$ 1,451	\$ 1,738	\$ 287	19.8%	\$ 1,451	\$ 1,738	\$ 287	19.8%
Income Tax Refund Fund	(299)	(370)	(71)	23.7%	(299)	(370)	(71)	23.7%
Local Government Distributive Fund Deposit	(79)	(94)	(15)	18.6%	(79)	(94)	(15)	18.6%
Net Corporate Income Tax	\$ 1,073	\$ 1,274	\$ 201	18.8%	\$ 1,073	\$ 1,274	\$ 201	18.8%
Gross Sales Tax	\$ 2,699	\$ 2,836	\$ 137	5.1%	\$ 2,699	\$ 2,836	\$ 137	5.1%
Downstate Public Trans/Public Trans Deposits	(72)	(76)	(4)	5.7%	(72)	(76)	(4)	5.7%
Road Fund Deposit	(23)	(97)	(75)	330.1%	(23)	(97)	(75)	330.1%
Net Sales Tax	2,627	\$ 2,760	\$ 133	5.1%	2,627	\$ 2,760	\$ 133	5.1%
Public Utility	\$ 176	\$ 179	3	1.9%	\$ 176	\$ 179	3	1.9%
Cigarette	71	63	(8)	(11.5%)	71	63	(8)	(11.5%)
Inheritance	157	118	(40)	(25.2%)	157	118	(40)	(25.2%)
Liquor	51	50	(1)	(1.4%)	51	50	(1)	(1.4%)
Insurance	112	132	20	17.9%	112	132	20	17.9%
Corporate Franchise	64	57	(7)	(10.9%)	64	57	(7)	(10.9%)
Investment Income	2	57	55	2740.0%	2	57	55	2740.0%
Cook County IGT	0	0	0	0.0%	0	0	0	0.0%
Other	72	123	51	70.8%	72	123	51	70.8%
TOTAL STATE REVENUES	\$ 9,083	\$ 9,838	\$ 754	8.3%	\$ 9,083	\$ 9,838	\$ 754	8.3%
Federal Revenues	\$ 1,395	\$ 879	\$ (516)	(37.0%)	\$ 1,395	\$ 879	\$ (516)	(37.0%)
Transfers In	\$ 777	\$ 797	\$ 21	2.6%	\$ 777	\$ 797	\$ 21	2.6%
Lottery	210	150	(60)	(28.6%)	210	150	(60)	(28.6%)
Gaming/Gaming Taxes	33	41	8	23.1%	33	41	8	23.1%
Adult-Use Cannabis	25	29	4	15.5%	25	29	4	15.5%
Other	509	577	68	13.4%	509	577	68	13.4%
SUBTOTAL REVENUES	\$ 11,255	\$ 11,514	\$ 259	2.3%	\$ 11,255	\$ 11,514	\$ 259	2.3%
Investment Borrowing	0	0	0	0.0%	0	0	0	0.0%
Municipal Liquidity Facility	0	0	0	0.0%	0	0	0	0.0%
ARPA Reimbursement for Government Services	0	764	764	100.0%	0	764	764	100.0%
TOTAL REVENUES	\$ 11,255	\$ 12,277	\$ 1,022	9.1%	\$ 11,255	\$ 12,277	\$ 1,022	9.1%

Source: Illinois Office of the Comptroller

Income Taxes: FY23 year-to-date (YTD) Individual Income Tax net receipts increased by \$347 million, or 7.4% from FY22, while FY23 YTD Corporate Income Tax (CIT) net receipts increased by \$201 million, or 18.8%. \$424 million of income taxes were directly deposited into the Local Government Distributive Fund in the first quarter of FY23.

Sales Taxes: FY23 YTD Sales Tax net receipts increased by \$133 million, or 5.1%, from the FY22 YTD level.

Federal Revenues: FY23 YTD base Federal Revenues decreased by \$516 million, or 37%, compared to the FY22 YTD level due to federal matches on reimbursable spending.

Transfers In: FY23 YTD Transfers In increased by \$21 million, or 2.6%, compared to the FY22 YTD level.

GENERAL FUNDS REVENUES BUDGETED VERSUS ACTUALS SUMMARY

The table below sets forth General Funds year-to-date budgeted revenues versus year-to-date actual revenues for FY23. Total State Revenues (not including Transfers In) were \$799 million, or 8.8%, above the April 2022 budgeted level. Federal Revenues were down \$190 million, or 17.8%, above the April 2022 budgeted level.

GENERAL FUNDS REVENUES				
Year-to-Date Budgeted versus Actual				
	(\$ in millions)			
	FY23 YTD Budgeted*	FY23 YTD Actual	Dollar Change	Percent Change
Gross Individual Income Tax	\$ 5,604	\$ 5,901	\$ 297	5.3%
Income Tax Refund Fund	(518)	(546)	(28)	5.4%
Local Government Distributive Fund Deposit	(313)	(330)	(17)	5.4%
Net Individual Income Tax	\$ 4,773	\$ 5,025	\$ 252	5.3%
Gross Corporate Income	\$ 1,218	\$ 1,738	\$ 520	42.7%
Income Tax Refund Fund	(177)	(370)	(193)	109.0%
Local Government Distributive Fund Deposit	(71)	(94)	(23)	32.0%
Net Corporate Income Tax	\$ 970	\$ 1,274	\$ 304	31.3%
Gross Sales Tax	\$ 2,767	\$ 2,836	\$ 69	2.5%
Downstate Public Trans/Public Trans Deposits	(72)	(76)	(4)	5.8%
Road Fund Deposits	(49)	(97)	(48)	98.4%
Net Sales Tax	\$ 2,646	\$ 2,760	\$ 114	4.3%
Public Utility	\$ 165	179	14	8.7%
Cigarette	67	63	(4)	(6.3%)
Inheritance	106	118	12	10.8%
Liquor	51	50	(1)	(1.4%)
Insurance	111	132	21	18.9%
Corporate Franchise	68	57	(11)	(16.2%)
Investment Income	6	57	51	846.7%
Cook County IGT	0	0	0	0.0%
Other	76	123	47	61.8%
TOTAL STATE REVENUES	\$ 9,039	\$ 9,838	\$ 799	8.8%
Federal Revenues	\$ 1,069	\$ 879	\$ (190)	(17.8%)
Transfers In	\$ 782	\$ 797	\$ 15	1.9%
Lottery	150	150	0	0.0%
Gaming/Gaming Taxes	49	41	(8)	(16.3%)
Adult-Use Cannabis	34	29	(5)	(14.7%)
Other	549	577	28	5.1%
SUBTOTAL REVENUES	\$ 10,891	\$ 11,514	\$ 623	5.7%
Investment Borrowing	0	0	0	0.0%
Short Term Borrowing	0	0	0	0.0%
ARPA Reimbursement for Government Services	0	764	764	100.0%
TOTAL REVENUES	\$ 10,891	\$ 12,277	\$ 1,386	12.7%

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Budgeted figures are based on historical averages as well as information from the Department of Revenue on timing of income tax deposits.

Estimates were compiled in April 2022.

Income Taxes: Individual Income Tax net receipts through the first quarter were \$252 million, or 5.3%, higher than budgeted levels. Corporate Income Tax net receipts through the first quarter were \$304 million, or 31.3 %, higher than the budgeted levels.

Sales Taxes: Sales Tax net receipts through the first quarter were \$114 million, or 4.3%, higher than the budgeted levels.

Transfers In: Transfers In through the first quarter were \$15 million, or 1.9%, higher than budgeted levels.

OUTLOOK FOR FUTURE GENERAL FUNDS REVENUES

The table below sets forth the future outlook for General Funds revenues for FY23. The table below reflects anticipated revenues to be received compared against year-to-date collections.

PROJECTED GENERAL FUNDS REVENUES			
Year-to-Date Actuals versus Annual Forecast			
(\$ in millions)			
	FY23 YTD Actual	FY23 Annual Forecast*	Remainder of Forecast*
Receipts	\$ 11,514	\$ 46,429	\$ 34,915
IIT	5,025	22,577	17,552
CIT	1,274	4,608	3,334
Sales	2,760	10,080	7,320
Other Sources	779	3,151	2,372
Transfers In	797	2,013	1,216
Federal Sources	879	4,000	3,121
Total Base Revenues	11,514	46,429	34,915

Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget

*Fiscal year 2023 forecast was updated in April 2022 using historical averages, national and regional economic activity data, and tax-related information provided by the Department of Revenue.

Through the first quarter of FY23, total base State General Funds revenues have performed well against the enacted April 2022 annual revenue forecast. Net corporate income tax has done very well, exceeding its quarterly forecast by 31.3%. Net individual income taxes and sales taxes performed 5.3% and 4.3% better than their forecast amounts respectively. Federal Revenues have not performed well against their forecast amount, but that source depends mostly on vouchers available for reimbursable spending. Annual forecasts can be recalculated when actuals do not meet expectations.

GENERAL FUNDS EXPENDITURES SUMMARY

The table below sets forth FY22 and FY23 first quarter and year-to-date General Funds spending from appropriations for those fiscal years. General Funds expenditures for the first quarter of FY23 totaled \$9,500 million, an increase of \$311 million, or 3.4%, from the FY22 level.

GENERAL FUNDS EXPENDITURES				
First Quarter and Year-to-Date Review				
(\$ in millions)				
Agency	First Quarter		Year-to-Date	
	FY22 Actual Spending	FY23 Actual Spending	FY22 Actual Spending	FY23 Actual Spending
Constitutional Officers ¹	\$ 85	\$ 90	\$ 85	\$ 90
DHFS	1,979	1,832	1,979	1,832
ISBE	1,681	1,800	1,681	1,800
DHS	774	784	774	784
Higher Education	531	584	531	584
SERS	401	449	401	449
TRS	1,448	1,500	1,448	1,500
SURS	469	695	469	695
Corrections	222	257	222	257
CMS	830	605	830	605
DCFS	209	248	209	248
Aging	167	195	167	195
ISP	58	59	58	59
Revenue	10	10	10	10
DPH	21	45	21	45
DNR	6	15	6	15
DCEO	2	4	2	4
All Others	298	329	298	329
Agency Totals	\$ 9,189	\$ 9,500	\$ 9,189	\$ 9,500

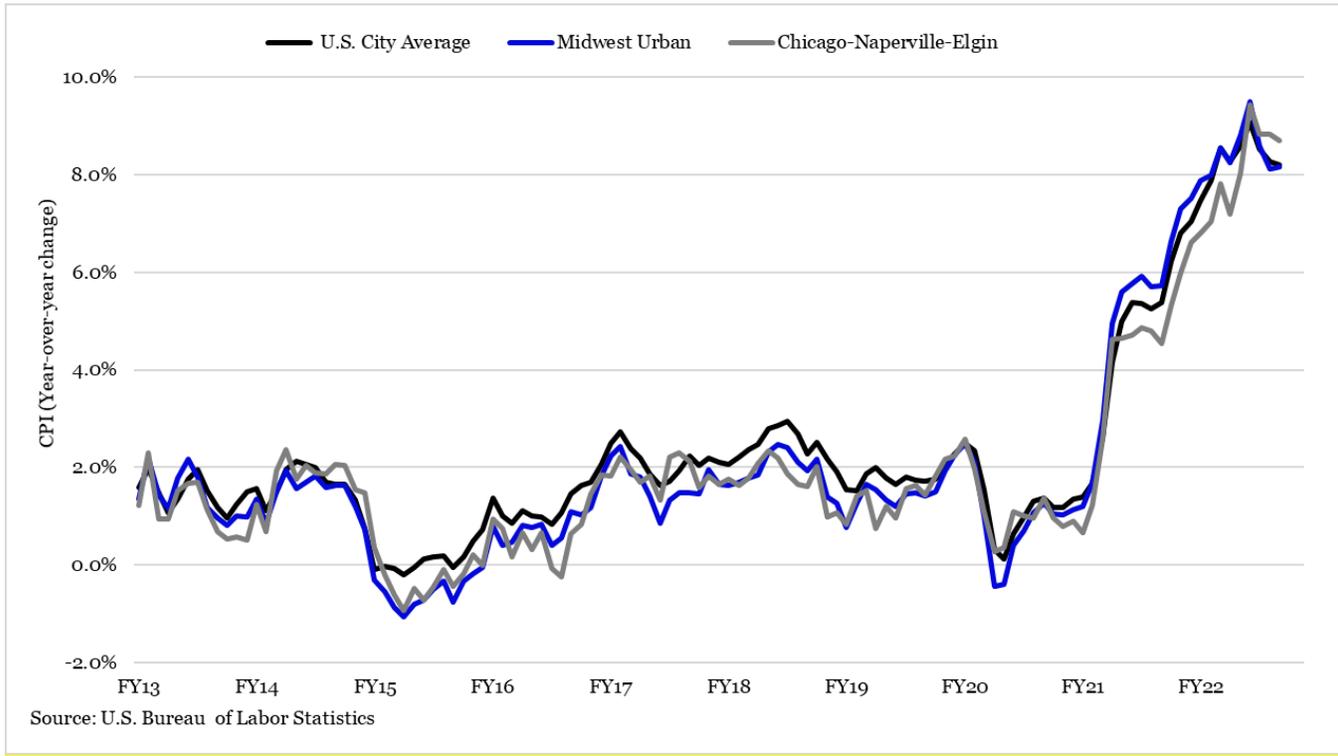
Source: Illinois Office of the Comptroller and Governor's Office of Management and Budget. Totals may not add due to rounding.

Note: Lapse period spending is not included in this table.

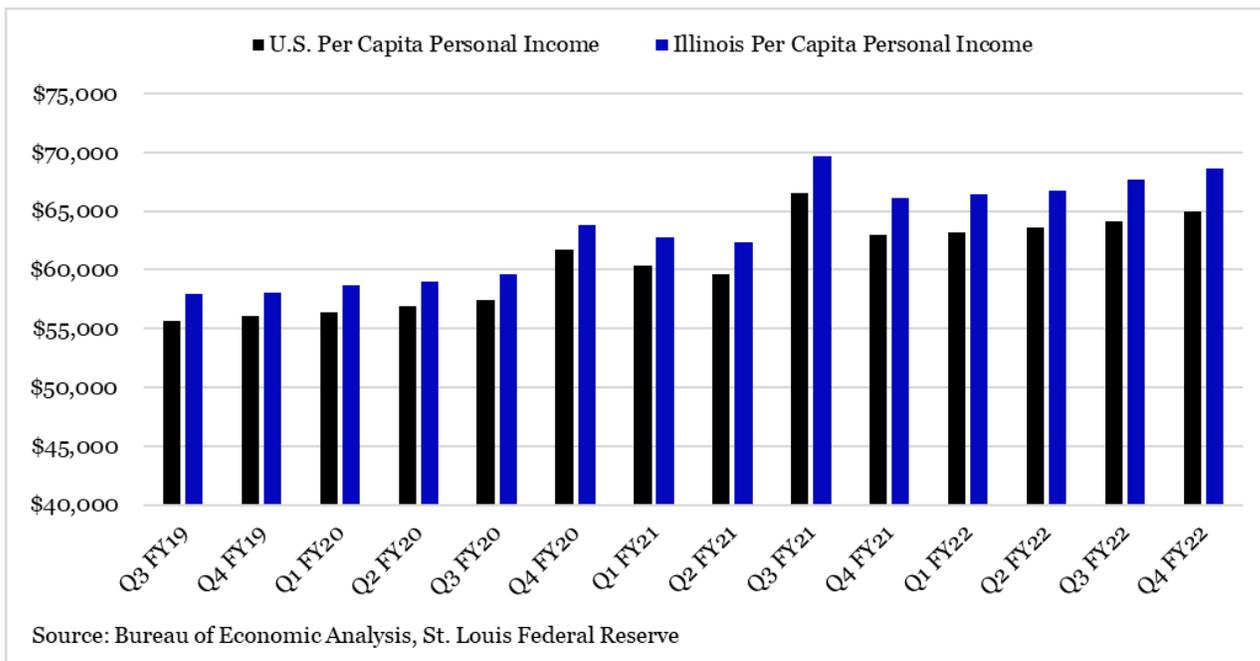
¹ Constitutional Officers exclude Auditor General.

KEY ECONOMIC INDICATORS

The graph below shows the year-over-year increase in the Consumer Price Index (CPI) for All Urban Consumers, all items, in the U.S., Chicago metropolitan area, and Midwest from January FY13 to September FY23. In September FY23, the U.S. city average CPI increased 8.2% year-over-year. The CPI for Chicago metropolitan area increased 8.7% and the CPI for Midwest region increased 8.1%.



The graph below compares the per capita personal income between the U.S. and Illinois from the third quarter of FY19 to the fourth quarter of FY22. The U.S. per capita personal income increased \$881 or 1.38% from \$64,072 in the third quarter of FY22 to \$64,953 in the fourth quarter of FY22. Year-over-year, U.S. per capita personal income increased \$1,956 or 3.1%. In Illinois, per capita personal income increased by \$909 or 1.36% from \$67,673 in the third quarter of FY22 to \$68,582 in the fourth quarter of FY22. Year-over-year, Illinois per capita personal income increased \$2,502 or 3.7%.



EMPLOYMENT HIGHLIGHTS

The table below shows recent Illinois and national employment highlights. Nationally, the unemployment rate in September of FY23 was 3.5%, down from 4.7% during the same period last fiscal year. Illinois' unemployment rate of 4.5% in September of FY23 reflected a decrease of 1.0 percentage points from the state's unemployment rate of 5.5% during the same period last fiscal year.

Additionally, total nonfarm employment in Illinois increased by 238,800 year-over-year in September, led by increases in the Professional & Business Services, Leisure & Hospitality, and Trade, Transportation & Utilities sectors.

EMPLOYMENT HIGHLIGHTS State and National Review

EMPLOYMENT STATISTICS	<u>July FY22</u>	<u>July FY23</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,823,700	6,064,100	240,400
Unemployment Rate, Illinois	6.2%	4.4%	(1.8)
Unemployment Rate, United States	5.4%	3.5%	(1.9)
Labor Force Participation Rate, Illinois	63.0%	64.6%	1.6
Labor Force Participation Rate, United States	61.7%	62.1%	0.4
EMPLOYMENT STATISTICS	<u>August FY22</u>	<u>August FY23</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,828,500	6,068,600	240,100
Unemployment Rate, Illinois	6.0%	4.5%	(1.5)
Unemployment Rate, United States	5.2%	3.7%	(1.5)
Labor Force Participation Rate, Illinois	63.1%	64.6%	1.5
Labor Force Participation Rate, United States	61.7%	62.4%	0.7
EMPLOYMENT STATISTICS	<u>September FY22</u>	<u>September FY23</u>	<u>Change</u>
Total Nonfarm Employment, Illinois	5,844,300	6,083,100	238,800
Unemployment Rate, Illinois	5.5%	4.5%	(1.0)
Unemployment Rate, United States	4.7%	3.5%	(1.2)
Labor Force Participation Rate, Illinois	63.1%	64.5%	1.4
Labor Force Participation Rate, United States	61.7%	62.3%	0.6

Source: Illinois Department of Employment Security and United States Department of Labor.

ILLINOIS REAL ESTATE

Prices rise and available homes sell quickly in Illinois, as the demand for homes stays high. The time it took to sell a home in September averaged 25 days, the same time it took at this time last year. Available inventory totaled 27,654 homes for sale, a decrease of 17.9% since last year, and statewide home sales totaled 13,697, an 18.9% decrease year-over-year. The statewide median price was up 1.5% from last year.